PROP FIRMS

The FTMO Challenge Risk Management Playbook

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Most traders don't fail prop firm challenges because their strategy is bad. They fail because their risk sizing doesn't survive contact with a losing streak.

Every evaluation — FTMO, MyForexFunds-style, or otherwise — kills you in one of two ways: you breach the daily loss limit, or you breach the max drawdown. Both are position-sizing problems, not entry-signal problems.

Rule 1: Risk a fixed fraction, not a fixed lot size

Never risk more than 0.5%–1% of account equity per trade during an evaluation phase. On a $100,000 challenge with a 5% max daily loss, a 1% per-trade risk means you can be wrong five times in a row in a single session before you're even close to the wall. That buffer is what lets you sit through a losing streak without panicking into revenge trades.

Rule 2: Treat the daily loss limit as a hard stop, not a soft target

Set a personal daily loss limit at 60–70% of the firm's actual limit. If FTMO allows 5% daily loss, stop trading for the day once you're down 3%. This gives you room for slippage, spread widening around news, and the psychological cushion to walk away instead of doubling down.

Rule 3: Scale risk down after two consecutive losses

After two losses in a row, cut your position size in half for the next two trades. This isn't superstition — it's acknowledging that your read on current market conditions might be off, and preserving capital while you recalibrate costs you almost nothing in expectancy.

Rule 4: Separate "trading days" from "target days"

Don't chase the profit target on a schedule. Firms don't reward speed — most give 30+ days for Phase 1. Traders who blow accounts almost always did so trying to hit the target in the first week. Spread your target across the full evaluation window and let probability do the work.

Rule 5: Journal every trade against your risk plan, not just P&L

At the end of each week, review not "did I make money" but "did I follow the sizing rules." A green week built on oversized risk is a red flag, not a win — it means you got lucky, and luck runs out during the funded phase when real payouts are on the line.

The traders who consistently pass evaluations and stay funded aren't the ones with the best entries. They're the ones who treat the account like it's already funded — protecting it like real capital from day one of the challenge.